



## Liberty Mutual Surety

October 28, 2010

Mr. Brett Cahoon, Project Manager  
Kraus-Anderson Construction Company  
3716 Oneota Street  
Duluth, Minnesota 55807

Ann Hester  
Home Office Counsel

2815 Forbs Avenue Suite 102  
Hoffman Estates, IL 60192  
[Ann.Hester@LibertyMutual.com](mailto:Ann.Hester@LibertyMutual.com)  
Phone: 847.396.7117  
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Re: Principal: Northland Constructors of Duluth, LLC  
Obligee: DULUTH AIRPORT AUTHORITY  
Bond No.: 190021991  
Project: Duluth International Airport New Passenger Terminal; FAA AIP 3-27-0024-48-10,  
Bid Pkg 1 - Sitework, Structure & Enclosure.  
Surety: Liberty Mutual Insurance Company

Dear Mr. Cahoon:

Please allow this letter serve to acknowledge receipt of your letter dated October 14, 2010, addressed to LMIC. Please address all further correspondence or communications regarding this matter to the undersigned.

In order to initiate our investigation of this matter, we request that you supplement your correspondence with additional information and documentation. This should include the following:

1. A current accounting of the contract fund setting forth the following:

a.	Original contract price	
b.	Net change orders	
c.	Adjusted contract price	
d.	Amount paid to date	SP-165 5,886.37
e.	Contract balance	SP-162 3,182.50
f.	Earned but unpaid progress payments	
g.	Retainage	
h.	Unearned contract balance	

check mailed 10/29/10  
Pay App # 1  
AIP-48 111,841.09  
SP-165 5,886.37  
SP-162 3,182.50  
# 120,909.96
2. Contract documents, including the plans and specifications, as well as the general conditions and special conditions and all addendums and exhibits;
3. Approved and pending change orders and back charges or credits;
4. Job minutes, progress reports, current punch lists, and inspection reports;
5. Pay applications including schedules of value certifications for payment and copies of canceled checks; → none yet will come with Oct or Nov Bank Stmt.
6. Job schedules (both original and revised) and the notice to proceed;
7. All Correspondence between the Obligee and the Principal relating to the matters raised in your letter dated October 14, 2010;
8. A list of known deficiencies;

If you have any other information of which you feel surety should be made aware, please supply it. We reserve the right to request additional information as our investigation proceeds. As you assemble the information requested above we will forward your letter to Northland Constructors of Duluth, LLC for their input.

Member of Liberty Mutual Group

Pay App # 2 (in process)  
AIP-48 319,265.60  
SP-165 16,803.46  
SP-162 49,201.97  
8385,271.03

Attached  
#1 G#2

DULUTH AIRPORT AUTHORITY

October 28, 2010

Page 2 of 2

Please note that this letter is sent to you for investigatory purposes only. It should not be construed by you or your company as an admission of liability or a promise to perform or pay your company's claim in whole or in part. Our activities are undertaken with a full reservation of all rights and defenses which Liberty Mutual Insurance Company and/or Northland Constructors of Duluth, LLC, has or may have at law, equity or under the terms and provisions of the bond and contract documents. This reservation of rights shall remain in full force and effect unless expressly revoked by surety in writing.

Please do not hesitate to contact me if you have any questions.

Sincerely,

*Ann T. Hester*

Ann Hester  
Home Office Counsel

AH/ag

cc: Northland Constructors of Duluth, LLC  
Jim Tressel - LMS RUO  
Angie Greaney - LMS Underwriter  
Joseph Eichten - LMS Minneapolis

Liberty Mutual Surety